

deduction provided by subparagraph (A) of this paragraph, shall be allowable only to the estate.

(i) Debtor succeeds to tax attributes of estate

In the case of a termination of an estate, the debtor shall succeed to and take into account the items referred to in paragraphs (1), (2), (3), (4), (5), and (6) of subsection (g) in a manner similar to that provided in such paragraphs (but taking into account that the transfer is from the estate to the debtor instead of from the debtor to the estate). In addition, the debtor shall succeed to and take into account the other tax attributes of the estate, to the extent provided in regulations prescribed by the Secretary as necessary or appropriate to carry out the purposes of this section.

(j) Other special rules

(1) Change of accounting period without approval

Notwithstanding section 442, the estate may change its annual accounting period one time without the approval of the Secretary.

(2) Treatment of certain carrybacks

(A) Carrybacks from estate

If any carryback year of the estate is a taxable year before the estate's first taxable year, the carryback to such carryback year shall be taken into account for the debtor's taxable year corresponding to the carryback year.

(B) Carrybacks from debtor's activities

The debtor may not carry back to a taxable year before the debtor's taxable year in which the case commences any carryback from a taxable year ending after the case commences.

(C) Carryback and carryback year defined

For purposes of this paragraph—

(i) Carryback

The term “carryback” means a net operating loss carryback under section 172 or a carryback of any credit provided by part IV of subchapter A.

(ii) Carryback year

The term “carryback year” means the taxable year to which a carryback is carried.

(Added Pub. L. 96-589, §3(a)(1), Dec. 24, 1980, 94 Stat. 3397; amended Pub. L. 99-514, title I, §104(b)(14), title XIII, §1301(j)(8), title XVIII, §1812(a)(5), Oct. 22, 1986, 100 Stat. 2105, 2658, 2833.)

REFERENCES IN TEXT

Part IV of subchapter A, referred to in subsec. (j)(2)(C)(i), probably means part IV of subchapter A of chapter 1 of this title.

AMENDMENTS

1986—Subsec. (c). Pub. L. 99-514, §104(b)(14)(A), substituted “basic standard deduction” for “zero bracket amount” in heading.

Subsec. (c)(3). Pub. L. 99-514, §104(b)(14)(B), amended par. (3) generally, substituting “Basic standard deduction” for “Amount of zero bracket amount” in heading and substituting “In the case of an estate which does

not itemize deductions, the basic standard deduction for the estate” for “The amount of the estate's zero bracket amount” in text.

Subsec. (d)(2)(B). Pub. L. 99-514, §1301(j)(8), substituted “section 7703” for “section 143”.

Subsec. (g)(3). Pub. L. 99-514, §1812(a)(5), amended par. (3) generally. Prior to amendment, par. (3), recovery exclusion, read as follows: “Any recovery exclusion under section 111 (relating to recovery of bad debts, prior taxes, and delinquency amounts).”

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by section 104(b)(14) of Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, see section 151(a) of Pub. L. 99-514, set out as a note under section 1 of this title.

Amendment by section 1301(j)(8) of Pub. L. 99-514 applicable to bonds issued after Aug. 15, 1986, except as otherwise provided, see sections 1311 to 1318 of Pub. L. 99-514, set out as an Effective Date; Transitional Rules note under section 141 of this title.

Amendment by section 1812(a)(5) of Pub. L. 99-514 effective, except as otherwise provided, as if included in the provisions of the Tax Reform Act of 1984, Pub. L. 98-369, div. A, to which such amendment relates, see section 1881 of Pub. L. 99-514, set out as a note under section 48 of this title.

EFFECTIVE DATE

Subchapter applicable to bankruptcy cases commencing more than 90 days after Dec. 24, 1980, see section 7(b) of Pub. L. 96-589, set out as an Effective Date of 1980 Amendment note under section 108 of this title.

PLAN AMENDMENTS NOT REQUIRED UNTIL
JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§1101-1147 and 1171-1177] or title XVIII [§§1800-1899A] of Pub. L. 99-514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99-514, as amended, set out as a note under section 401 of this title.

§ 1399. No separate taxable entities for partnerships, corporations, etc.

Except in any case to which section 1398 applies, no separate taxable entity shall result from the commencement of a case under title 11 of the United States Code.

(Added Pub. L. 96-589, §3(a)(1), Dec. 24, 1980, 94 Stat. 3400.)

Subchapter W—District of Columbia Enterprise Zone

Sec.	Establishment of DC Zone.
1400.	Tax-exempt economic development bonds.
1400A.	Zero percent capital gains rate.
1400B.	First-time homebuyer credit for District of Columbia.
1400C.	

§ 1400. Establishment of DC Zone

(a) In general

For purposes of this title—

(1) the applicable DC area is hereby designated as the District of Columbia Enterprise Zone, and

(2) except as otherwise provided in this subchapter, the District of Columbia Enterprise Zone shall be treated as an empowerment zone designated under subchapter U.

(b) Applicable DC area

For purposes of subsection (a), the term “applicable DC area” means the area consisting of—

(1) the census tracts located in the District of Columbia which are part of an enterprise community designated under subchapter U before the date of the enactment of this subchapter, and

(2) all other census tracts—

(A) which are located in the District of Columbia, and

(B) for which the poverty rate is not less than¹ 20 percent as determined on the basis of the 1990 census.

(c) District of Columbia Enterprise Zone

For purposes of this subchapter, the terms “District of Columbia Enterprise Zone” and “DC Zone” mean the District of Columbia Enterprise Zone designated by subsection (a).

(d) Special rule for application of employment credit

With respect to the DC Zone, section 1396(d)(1)(B) (relating to empowerment zone employment credit) shall be applied by substituting “the District of Columbia” for “such empowerment zone”.

(e) Special rule for application of enterprise zone business definition

For purposes of this subchapter and for purposes of applying subchapter U with respect to the DC Zone, section 1397C shall be applied without regard to subsections (b)(6) and (c)(5) thereof.

(f) Time for which designation applicable

(1) In general

The designation made by subsection (a) shall apply for the period beginning on January 1, 1998, and ending on December 31, 2011.

(2) Coordination with DC enterprise community designated under subchapter U

The designation under subchapter U of the census tracts referred to in subsection (b)(1) as an enterprise community shall terminate on December 31, 2011.

(Added Pub. L. 105-34, title VII, § 701(a), Aug. 5, 1997, 111 Stat. 863; amended Pub. L. 105-206, title VI, § 6008(a), July 22, 1998, 112 Stat. 811; Pub. L. 106-554, § 1(a)(7) [title I, §§ 113(c), 116(b)(5), 164(a)(1)], Dec. 21, 2000, 114 Stat. 2763, 2763A-601, 2763A-603, 2763A-625; Pub. L. 108-311, title III, § 310(a), Oct. 4, 2004, 118 Stat. 1180; Pub. L. 109-432, div. A, title I, § 110(a)(1), Dec. 20, 2006, 120 Stat. 2939; Pub. L. 110-343, div. C, title III, § 322(a)(1), Oct. 3, 2008, 122 Stat. 3873; Pub. L. 111-312, title VII, § 754(a), Dec. 17, 2010, 124 Stat. 3321.)

REFERENCES IN TEXT

The date of the enactment of this subchapter, referred to in subsec. (b)(1), is the date of enactment of Pub. L. 105-34, which was approved Aug. 5, 1997.

AMENDMENTS

2010—Subsec. (f). Pub. L. 111-312 substituted “2011” for “2009” in pars. (1) and (2).

2008—Subsec. (f). Pub. L. 110-343 substituted “2009” for “2007” in pars. (1) and (2).

2006—Subsec. (f). Pub. L. 109-432 substituted “2007” for “2005” in pars. (1) and (2).

2004—Subsec. (f). Pub. L. 108-311 substituted “2005” for “2003” in pars. (1) and (2).

2000—Subsec. (d). Pub. L. 106-554, § 1(a)(7) [title I, § 113(c)], amended heading and text of subsec. (d) generally, striking out par. (1) designation and heading and par. (2), which provided that there would be no decrease of empowerment zone employment credit in 2002.

Subsec. (e). Pub. L. 106-554, § 1(a)(7) [title I, § 116(b)(5)], substituted “section 1397C” for “section 1397B”.

Subsec. (f). Pub. L. 106-554, § 1(a)(7) [title I, § 164(a)(1)], substituted “2003” for “2002” in pars. (1) and (2).

1998—Subsec. (b)(2)(B). Pub. L. 105-206 inserted “as determined on the basis of the 1990 census” after “percent”.

EFFECTIVE DATE OF 2010 AMENDMENT

Pub. L. 111-312, title VII, § 754(e), Dec. 17, 2010, 124 Stat. 3322, provided that:

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section [amending this section and sections 1400A to 1400C of this title] shall apply to periods after December 31, 2009.

“(2) TAX-EXEMPT DC EMPOWERMENT ZONE BONDS.—The amendment made by subsection (b) [amending section 1400A of this title] shall apply to bonds issued after December 31, 2009.

“(3) ACQUISITION DATES FOR ZERO-PERCENT CAPITAL GAINS RATE.—The amendments made by subsection (c) [amending section 1400B of this title] shall apply to property acquired or substantially improved after December 31, 2009.

“(4) HOMEBUYER CREDIT.—The amendment made by subsection (d) [amending section 1400C of this title] shall apply to homes purchased after December 31, 2009.”

EFFECTIVE DATE OF 2008 AMENDMENT

Pub. L. 110-343, div. C, title III, § 322(a)(2), Oct. 3, 2008, 122 Stat. 3873, provided that: “The amendments made by this subsection [amending this section] shall apply to periods beginning after December 31, 2007.”

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109-432, div. A, title I, § 110(a)(2), Dec. 20, 2006, 120 Stat. 2939, provided that: “The amendments made by this subsection [amending this section] shall apply to periods beginning after December 31, 2005.”

EFFECTIVE DATE OF 2004 AMENDMENT

Pub. L. 108-311, title III, § 310(e), Oct. 4, 2004, 118 Stat. 1180, provided that:

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section [amending this section and sections 1400A to 1400C and 1400F of this title] shall take effect on January 1, 2004.

“(2) TAX-EXEMPT ECONOMIC DEVELOPMENT BONDS.—The amendment made by subsection (b) [amending section 1400A of this title] shall apply to obligations issued after the date of the enactment of this Act [Oct. 4, 2004].”

EFFECTIVE DATE OF 2000 AMENDMENT

Amendment by section 1(a)(7) [title I, § 113(c)] of Pub. L. 106-554 applicable to wages paid or incurred after Dec. 31, 2001, see section 1(a)(7) [title I, § 113(d)] of Pub. L. 106-554, set out as a note under section 1396 of this title.

Amendment by section 1(a)(7) [title I, § 116(b)(5)] of Pub. L. 106-554 applicable to qualified empowerment zone assets acquired after Dec. 21, 2000, see section 1(a)(7) [title I, § 116(c)] of Pub. L. 106-554, set out as a note under section 1016 of this title.

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105-206 effective, except as otherwise provided, as if included in the provisions of the Taxpayer Relief Act of 1997, Pub. L. 105-34, to which

¹ So in original. The second “than” probably should not appear.

such amendment relates, see section 6024 of Pub. L. 105-206, set out as a note under section 1 of this title.

§ 1400A. Tax-exempt economic development bonds

(a) In general

In the case of the District of Columbia Enterprise Zone, subparagraph (A) of section 1394(c)(1) (relating to limitation on amount of bonds) shall be applied by substituting “\$15,000,000” for “\$3,000,000” and section 1394(b)(3)(B)(iii) shall be applied without regard to the employee residency requirement.

(b) Period of applicability

This section shall apply to bonds issued during the period beginning on January 1, 1998, and ending on December 31, 2011.

(Added Pub. L. 105-34, title VII, §701(a), Aug. 5, 1997, 111 Stat. 864; amended Pub. L. 105-206, title VI, §6008(b), July 22, 1998, 112 Stat. 811; Pub. L. 106-554, §1(a)(7) [title I, §164(a)(2)], Dec. 21, 2000, 114 Stat. 2763, 2763A-625; Pub. L. 108-311, title III, §310(b), Oct. 4, 2004, 118 Stat. 1180; Pub. L. 109-432, div. A, title I, §110(b)(1), Dec. 20, 2006, 120 Stat. 2939; Pub. L. 110-343, div. C, title III, §322(b)(1), Oct. 3, 2008, 122 Stat. 3873; Pub. L. 111-312, title VII, §754(b), Dec. 17, 2010, 124 Stat. 3321.)

AMENDMENTS

2010—Subsec. (b). Pub. L. 111-312 substituted “2011” for “2009”.

2008—Subsec. (b). Pub. L. 110-343 substituted “2009” for “2007”.

2006—Subsec. (b). Pub. L. 109-432 substituted “2007” for “2005”.

2004—Subsec. (b). Pub. L. 108-311 substituted “2005” for “2003”.

2000—Subsec. (b). Pub. L. 106-554 substituted “2003” for “2002”.

1998—Subsec. (a). Pub. L. 105-206 inserted before the period at end “and section 1394(b)(3)(B)(iii) shall be applied without regard to the employee residency requirement”.

EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111-312 applicable to bonds issued after Dec. 31, 2009, see section 754(e)(2) of Pub. L. 111-312, set out as a note under section 1400 of this title.

EFFECTIVE DATE OF 2008 AMENDMENT

Pub. L. 110-343, div. C, title III, §322(b)(2), Oct. 3, 2008, 122 Stat. 3874, provided that: “The amendment made by this subsection [amending this section] shall apply to bonds issued after December 31, 2007.”

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109-432, div. A, title I, §110(b)(2), Dec. 20, 2006, 120 Stat. 2939, provided that: “The amendment made by this subsection [amending this section] shall apply to bonds issued after December 31, 2005.”

EFFECTIVE DATE OF 2004 AMENDMENT

Amendment by Pub. L. 108-311 applicable to obligations issued after Oct. 4, 2004, see section 310(e)(2) of Pub. L. 108-311, set out as a note under section 1400 of this title.

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105-206 effective, except as otherwise provided, as if included in the provisions of the Taxpayer Relief Act of 1997, Pub. L. 105-34, to which such amendment relates, see section 6024 of Pub. L. 105-206, set out as a note under section 1 of this title.

§ 1400B. Zero percent capital gains rate

(a) Exclusion

Gross income shall not include qualified capital gain from the sale or exchange of any DC Zone asset held for more than 5 years.

(b) DC Zone asset

For purposes of this section—

(1) In general

The term “DC Zone asset” means—

- (A) any DC Zone business stock,
- (B) any DC Zone partnership interest, and
- (C) any DC Zone business property.

(2) DC Zone business stock

(A) In general

The term “DC Zone business stock” means any stock in a domestic corporation which is originally issued after December 31, 1997, if—

- (i) such stock is acquired by the taxpayer, before January 1, 2012, at its original issue (directly or through an underwriter) solely in exchange for cash,
- (ii) as of the time such stock was issued, such corporation was a DC Zone business (or, in the case of a new corporation, such corporation was being organized for purposes of being a DC Zone business), and
- (iii) during substantially all of the taxpayer’s holding period for such stock, such corporation qualified as a DC Zone business.

(B) Redemptions

A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

(3) DC Zone partnership interest

The term “DC Zone partnership interest” means any capital or profits interest in a domestic partnership which is originally issued after December 31, 1997, if—

- (A) such interest is acquired by the taxpayer, before January 1, 2012, from the partnership solely in exchange for cash,
- (B) as of the time such interest was acquired, such partnership was a DC Zone business (or, in the case of a new partnership, such partnership was being organized for purposes of being a DC Zone business), and
- (C) during substantially all of the taxpayer’s holding period for such interest, such partnership qualified as a DC Zone business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

(4) DC Zone business property

(A) In general

The term “DC Zone business property” means tangible property if—

- (i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 1997, and before January 1, 2012,
- (ii) the original use of such property in the DC Zone commences with the taxpayer, and
- (iii) during substantially all of the taxpayer’s holding period for such property,

substantially all of the use of such property was in a DC Zone business of the taxpayer.

(B) Special rule for buildings which are substantially improved

(i) In general

The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as met with respect to—

(I) property which is substantially improved by the taxpayer before January 1, 2012, and

(II) any land on which such property is located.

(ii) Substantial improvement

For purposes of clause (i), property shall be treated as substantially improved by the taxpayer only if, during any 24-month period beginning after December 31, 1997, additions to basis with respect to such property in the hands of the taxpayer exceed the greater of—

(I) an amount equal to the adjusted basis of such property at the beginning of such 24-month period in the hands of the taxpayer, or

(II) \$5,000.

(5) Treatment of DC Zone termination

The termination of the designation of the DC Zone shall be disregarded for purposes of determining whether any property is a DC Zone asset.

(6) Treatment of subsequent purchasers, etc.

The term “DC Zone asset” includes any property which would be a DC Zone asset but for paragraph (2)(A)(i), (3)(A), or (4)(A)(i) or (ii) in the hands of the taxpayer if such property was a DC Zone asset in the hands of a prior holder.

(7) 5-year safe harbor

If any property ceases to be a DC Zone asset by reason of paragraph (2)(A)(iii), (3)(C), or (4)(A)(iii) after the 5-year period beginning on the date the taxpayer acquired such property, such property shall continue to be treated as meeting the requirements of such paragraph; except that the amount of gain to which subsection (a) applies on any sale or exchange of such property shall not exceed the amount which would be qualified capital gain had such property been sold on the date of such cessation.

(c) DC Zone business

For purposes of this section, the term “DC Zone business” means any enterprise zone business (as defined in section 1397C), determined—

(1) after the application of section 1400(e),

(2) by substituting “80 percent” for “50 percent” in subsections (b)(2) and (c)(1) of section 1397C, and

(3) by treating no area other than the DC Zone as an empowerment zone or enterprise community.

(d) Treatment of zone as including census tracts with 10 percent poverty rate

For purposes of applying this section (and for purposes of applying this subchapter and sub-

chapter U with respect to this section), the DC Zone shall be treated as including all census tracts—

(1) which are located in the District of Columbia, and

(2) for which the poverty rate is not less than 10 percent as determined on the basis of the 1990 census.

(e) Other definitions and special rules

For purposes of this section—

(1) Qualified capital gain

Except as otherwise provided in this subsection, the term “qualified capital gain” means any gain recognized on the sale or exchange of—

(A) a capital asset, or

(B) property used in the trade or business (as defined in section 1231(b)).

(2) Gain before 1998 or after 2016 not qualified

The term “qualified capital gain” shall not include any gain attributable to periods before January 1, 1998, or after December 31, 2016.

(3) Certain gain not qualified

The term “qualified capital gain” shall not include any gain which would be treated as ordinary income under section 1245 or under section 1250 if section 1250 applied to all depreciation rather than the additional depreciation.

(4) Intangibles and land not integral part of DC Zone business

The term “qualified capital gain” shall not include any gain which is attributable to real property, or an intangible asset, which is not an integral part of a DC Zone business.

(5) Related party transactions

The term “qualified capital gain” shall not include any gain attributable, directly or indirectly, in whole or in part, to a transaction with a related person. For purposes of this paragraph, persons are related to each other if such persons are described in section 267(b) or 707(b)(1).

(f) Certain other rules to apply

Rules similar to the rules of subsections (g), (h), (i)(2), and (j) of section 1202 shall apply for purposes of this section.

(g) Sales and exchanges of interests in partnerships and S corporations which are DC Zone businesses

In the case of the sale or exchange of an interest in a partnership, or of stock in an S corporation, which was a DC Zone business during substantially all of the period the taxpayer held such interest or stock, the amount of qualified capital gain shall be determined without regard to—

(1) any gain which is attributable to real property, or an intangible asset, which is not an integral part of a DC Zone business, and

(2) any gain attributable to periods before January 1, 1998, or after December 31, 2016.

(Added Pub. L. 105-34, title VII, §701(a), Aug. 5, 1997, 111 Stat. 864; amended Pub. L. 105-206, title VI, §6008(c), July 22, 1998, 112 Stat. 811; Pub. L. 106-554, §1(a)(7) [title I, §§116(b)(5), 164(b)], Dec.

21, 2000, 114 Stat. 2763, 2763A–603, 2763A–625; Pub. L. 108–311, title III, § 310(c)(1)–(2)(B), Oct. 4, 2004, 118 Stat. 1180; Pub. L. 109–432, div. A, title I, § 110(c)(1)–(2)(B), Dec. 20, 2006, 120 Stat. 2940; Pub. L. 110–343, div. C, title III, § 322(c)(1), (2)(A), (B), Oct. 3, 2008, 122 Stat. 3874; Pub. L. 111–312, title VII, § 754(c), Dec. 17, 2010, 124 Stat. 3321.)

AMENDMENTS

2010—Subsec. (b). Pub. L. 111–312, § 754(c)(1), substituted “2012” for “2010” wherever appearing.

Subsec. (e)(2). Pub. L. 111–312, § 754(c)(2)(A), substituted “2016” for “2014” in heading and text.

Subsec. (g)(2). Pub. L. 111–312, § 754(c)(2)(B), substituted “2016” for “2014”.

2008—Subsec. (b). Pub. L. 110–343, § 322(c)(1), substituted “2010” for “2008” wherever appearing.

Subsec. (e)(2). Pub. L. 110–343, § 322(c)(2)(A), substituted “2014” for “2012” in heading and text.

Subsec. (g)(2). Pub. L. 110–343, § 322(c)(2)(B), substituted “2014” for “2012”.

2006—Subsec. (b). Pub. L. 109–432, § 110(c)(1), substituted “2008” for “2006” wherever appearing.

Subsec. (e)(2). Pub. L. 109–432, § 110(c)(2)(A), substituted “2012” for “2010” in heading and text.

Subsec. (g)(2). Pub. L. 109–432, § 110(c)(2)(B), substituted “2012” for “2010”.

2004—Subsec. (b). Pub. L. 108–311, § 310(c)(1), substituted “2006” for “2004” wherever appearing.

Subsec. (e)(2). Pub. L. 108–311, § 310(c)(2)(A), substituted “2010” for “2008” in heading and text.

Subsec. (g)(2). Pub. L. 108–311, § 310(c)(2)(B), substituted “2010” for “2008”.

2000—Subsec. (b). Pub. L. 106–554, § 1(a)(7) [title I, § 164(b)(1)], substituted “2004” for “2003” wherever appearing.

Subsec. (c). Pub. L. 106–554, § 1(a)(7) [title I, § 116(b)(5)], substituted “section 1397C” for “section 1397B” in introductory provisions and in par. (2).

Subsec. (e)(2). Pub. L. 106–554, § 1(a)(7) [title I, § 164(b)(2)], substituted “2008” for “2007” in heading and text.

Subsec. (g)(2). Pub. L. 106–554, § 1(a)(7) [title I, § 164(b)(2)], substituted “2008” for “2007”.

1998—Subsec. (b)(5). Pub. L. 105–206, § 6008(c)(1), added par. (5).

Subsec. (b)(6). Pub. L. 105–206, § 6008(c)(2), substituted “(4)(A)(i) or (ii)” for “(4)(A)(ii)”.

Subsec. (c). Pub. L. 105–206, § 6008(c)(3), struck out “entity which is an” before “enterprise zone” in introductory provisions.

Subsec. (d)(2). Pub. L. 105–206, § 6008(c)(4), inserted “as determined on the basis of the 1990 census” after “percent”.

EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111–312 applicable to property acquired or substantially improved after Dec. 31, 2009, see section 754(e)(3) of Pub. L. 111–312, set out as a note under section 1400 of this title.

EFFECTIVE DATE OF 2008 AMENDMENT

Pub. L. 110–343, div. C, title III, § 322(c)(3), Oct. 3, 2008, 122 Stat. 3874, provided that:

“(A) EXTENSION.—The amendments made by paragraph (1) [amending this section] shall apply to acquisitions after December 31, 2007.

“(B) CONFORMING AMENDMENTS.—The amendments made by paragraph (2) [amending this section and section 1400F of this title] shall take effect on the date of the enactment of this Act [Oct. 3, 2008].”

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109–432, div. A, title I, § 110(c)(3), Dec. 20, 2006, 120 Stat. 2940, provided that:

“(A) EXTENSION.—The amendments made by paragraph (1) [amending this section] shall apply to acquisitions after December 31, 2005.

“(B) CONFORMING AMENDMENTS.—The amendments made by paragraph (2) [amending this section and section 1400F of this title] shall take effect on the date of the enactment of this Act [Dec. 20, 2006].”

EFFECTIVE DATE OF 2004 AMENDMENT

Amendment by Pub. L. 108–311 effective Jan. 1, 2004, see section 310(e)(1) of Pub. L. 108–311, set out as a note under section 1400 of this title.

EFFECTIVE DATE OF 2000 AMENDMENT

Amendment by section 1(a)(7) [title I, § 116(b)(5)] of Pub. L. 106–554 applicable to qualified empowerment zone assets acquired after Dec. 21, 2000, see section 1(a)(7) [title I, § 116(c)] of Pub. L. 106–554, set out as a note under section 1016 of this title.

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105–206 effective, except as otherwise provided, as if included in the provisions of the Taxpayer Relief Act of 1997, Pub. L. 105–34, to which such amendment relates, see section 6024 of Pub. L. 105–206, set out as a note under section 1 of this title.

§ 1400C. First-time homebuyer credit for District of Columbia

(a) Allowance of credit

In the case of an individual who is a first-time homebuyer of a principal residence in the District of Columbia during any taxable year, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to so much of the purchase price of the residence as does not exceed \$5,000.

(b) Limitation based on modified adjusted gross income

(1) In general

The amount allowable as a credit under subsection (a) (determined without regard to this subsection and subsection (d)) for the taxable year shall be reduced (but not below zero) by the amount which bears the same ratio to the credit so allowable as—

(A) the excess (if any) of—

(i) the taxpayer's modified adjusted gross income for such taxable year, over

(ii) \$70,000 (\$110,000 in the case of a joint return), bears to

(B) \$20,000.

(2) Modified adjusted gross income

For purposes of paragraph (1), the term “modified adjusted gross income” means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

(c) First-time homebuyer

For purposes of this section—

(1) In general

The term “first-time homebuyer” means any individual if such individual (and if married, such individual's spouse) had no present ownership interest in a principal residence in the District of Columbia during the 1-year period ending on the date of the purchase of the principal residence to which this section applies.

(2) One-time only

If an individual is treated as a first-time homebuyer with respect to any principal resi-

dence, such individual may not be treated as a first-time homebuyer with respect to any other principal residence.

(3) Principal residence

The term “principal residence” has the same meaning as when used in section 121.

(d) Carryforward of unused credit

(1) Rule for years in which all personal credits allowed against regular and alternative minimum tax

In the case of a taxable year to which section 26(a)(2) applies, if the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a)(2) for such taxable year reduced by the sum of the credits allowable under subpart A of part IV of subchapter A (other than this section and section 25D), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

(2) Rule for other years

In the case of a taxable year to which section 26(a)(2) does not apply, if the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a)(1) for such taxable year reduced by the sum of the credits allowable under subpart A of part IV of subchapter A (other than this section and sections 23, 24, 25A(i), 25B, 25D, 30, and 30B, and 30D), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

(e) Special rules

For purposes of this section—

(1) Allocation of dollar limitation

(A) Married individuals filing separately

In the case of a married individual filing a separate return, subsection (a) shall be applied by substituting “\$2,500” for “\$5,000”.

(B) Other taxpayers

If 2 or more individuals who are not married purchase a principal residence, the amount of the credit allowed under subsection (a) shall be allocated among such individuals in such manner as the Secretary may prescribe, except that the total amount of the credits allowed to all such individuals shall not exceed \$5,000.

(2) Purchase

(A) In general

The term “purchase” means any acquisition, but only if—

(i) the property is not acquired from a person whose relationship to the person acquiring it would result in the disallowance of losses under section 267 or 707(b) (but, in applying section 267(b) and (c) for purposes of this section, paragraph (4) of section 267(c) shall be treated as providing that the family of an individual shall include only his spouse, ancestors, and lineal descendants), and

(ii) the basis of the property in the hands of the person acquiring it is not determined—

(I) in whole or in part by reference to the adjusted basis of such property in the hands of the person from whom acquired, or

(II) under section 1014(a) (relating to property acquired from a decedent).

(B) Construction

A residence which is constructed by the taxpayer shall be treated as purchased by the taxpayer on the date the taxpayer first occupies such residence.

(3) Purchase price

The term “purchase price” means the adjusted basis of the principal residence on the date such residence is purchased.

(4) Coordination with national first-time homebuyers credit

No credit shall be allowed under this section to any taxpayer with respect to the purchase of a residence after December 31, 2008, if a credit under section 36 is allowable to such taxpayer (or the taxpayer’s spouse) with respect to such purchase.

(f) Reporting

If the Secretary requires information reporting under section 6045 by a person described in subsection (e)(2) thereof to verify the eligibility of taxpayers for the credit allowable by this section, the exception provided by section 6045(e)(5) shall not apply.

(g) Credit treated as nonrefundable personal credit

For purposes of this title, the credit allowed by this section shall be treated as a credit allowable under subpart A of part IV of subchapter A of this chapter.

(h) Basis adjustment

For purposes of this subtitle, if a credit is allowed under this section with respect to the purchase of any residence, the basis of such residence shall be reduced by the amount of the credit so allowed.

(i) Application of section

This section shall apply to property purchased after August 4, 1997, and before January 1, 2012.

(Added Pub. L. 105-34, title VII, §701(a), Aug. 5, 1997, 111 Stat. 867; amended Pub. L. 105-206, title VI, §6008(d)(1)-(5), July 22, 1998, 112 Stat. 811, 812; Pub. L. 106-170, title V, §510, Dec. 17, 1999, 113 Stat. 1924; Pub. L. 106-554, §1(a)(7) [title I, §163], Dec. 21, 2000, 114 Stat. 2763, 2763A-625; Pub. L. 107-16, title II, §§201(b)(2)(H), 202(f)(2)(C), title VI, §618(b)(2)(E), June 7, 2001, 115 Stat. 46, 49, 108; Pub. L. 107-147, title IV, §417(23)(B), Mar. 9, 2002, 116 Stat. 57; Pub. L. 108-311, title III, §310(d), Oct. 4, 2004, 118 Stat. 1180; Pub. L. 109-58, title XIII, §1335(b)(3), Aug. 8, 2005, 119 Stat. 1036; Pub. L. 109-135, title IV, §402(i)(3)(F), (4), Dec. 21, 2005, 119 Stat. 2614, 2615; Pub. L. 109-432, div. A, title I, §110(d)(1), Dec. 20, 2006, 120 Stat. 2940; Pub. L. 110-343, div. B, title II, §205(d)(1)(E), div. C, title III, §322(d)(1), Oct. 3, 2008, 122 Stat. 3839, 3874; Pub. L. 111-5, div. B, title I, §§1004(b)(6), 1006(d)(1), 1142(b)(1)(F), 1144(b)(1)(F), Feb. 17, 2009, 123 Stat. 314, 316, 330, 332; Pub. L. 111-92, §11(i), Nov. 6, 2009, 123 Stat. 2991; Pub. L. 111-148, title

X, §10909(b)(2)(M), (c), Mar. 23, 2010, 124 Stat. 1023; Pub. L. 111-312, title I, §101(b)(1), title VII, §754(d), Dec. 17, 2010, 124 Stat. 3298, 3322.)

AMENDMENT OF SECTION

For termination of amendment by section 10909(c) of Pub. L. 111-148, see Effective and Termination Dates of 2010 Amendment note below.

For termination of amendment by section 402(i)(3)(H) of Pub. L. 109-135, see Effective and Termination Dates of 2005 Amendments note below.

For termination of amendment by section 901 of Pub. L. 107-16, see Effective and Termination Dates of 2001 Amendment note below.

AMENDMENTS

2010—Subsec. (d)(2). Pub. L. 111-148, §10909(b)(2)(M), (c), as amended by Pub. L. 111-312, §101(b)(1), temporarily struck out “23,” after “this section and sections”. See Effective and Termination Dates of 2010 Amendment note below.

Subsec. (i). Pub. L. 111-312, §754(d), substituted “2012” for “2010”.

2009—Subsec. (d)(2). Pub. L. 111-5, §1144(b)(1)(F), substituted “30, and 30B” for “and 30”.

Pub. L. 111-5, §1142(b)(1)(F), which directed the substitution of “25D, and 30” for “and 25D”, was executed by making the substitution for “25D”, to reflect the probable intent of Congress and the amendment by Pub. L. 110-343, §205(d)(1)(E). See 2008 Amendment note below.

Pub. L. 111-5, §1004(b)(6), inserted “25A(i),” after “24,”.

Subsec. (e)(4). Pub. L. 111-92 struck out “and before December 1, 2009,” after “December 31, 2008,”.

Pub. L. 111-5, §1006(d)(1), added par. (4).

2008—Subsec. (d)(2). Pub. L. 110-343, §205(d)(1)(E), substituted “25D, and 30D” for “and 25D”.

Subsec. (i). Pub. L. 110-343, §322(d)(1), substituted “2010” for “2008”.

2006—Subsec. (i). Pub. L. 109-432 substituted “2008” for “2006”.

2005—Subsec. (d). Pub. L. 109-135, §402(i)(3)(F), (H), temporarily amended heading and text of subsec. (d) generally. Prior to amendment, text read as follows: “If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under subpart A of part IV of subchapter A (other than this section and sections 23, 24, and 25B), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.” See Effective and Termination Dates of 2005 Amendments note below.

Pub. L. 109-58, §1335(b)(3), which directed amendment of subsec. (d) by substituting “this section and section 25D” for “this section”, was repealed by Pub. L. 109-135, §402(i)(4). See Effective and Termination Dates of 2005 Amendments notes below.

2004—Subsec. (i). Pub. L. 108-311 substituted “2006” for “2004”.

2002—Subsec. (d). Pub. L. 107-147 amended directory language of Pub. L. 107-16, §618(b)(2)(E). See 2001 Amendment note below.

2001—Subsec. (d). Pub. L. 107-16, §618(b)(2)(E), as amended by Pub. L. 107-147, substituted “, 24, and 25B” for “and 24”.

Pub. L. 107-16, §§202(f)(2)(C), 901, temporarily substituted “sections 23 and 24” for “section 24”. See Effective and Termination Dates of 2001 Amendment note below.

Pub. L. 107-16, §§201(b)(2)(H), 901, temporarily inserted “and section 24” after “this section”. See Effective and Termination Dates of 2001 Amendment note below.

2000—Subsec. (i). Pub. L. 106-554 substituted “2004” for “2002”.

1999—Subsec. (i). Pub. L. 106-170 substituted “2002” for “2001”.

1998—Subsec. (b)(1). Pub. L. 105-206, §6008(d)(1), inserted “and subsection (d)” after “this subsection” in introductory provisions.

Subsec. (c)(1). Pub. L. 105-206, §6008(d)(2), reenacted heading without change and amended text generally. Prior to amendment, text read as follows: “The term ‘first-time homebuyer’ has the same meaning as when used in section 72(t)(8)(D)(i), except that ‘principal residence in the District of Columbia during the 1-year period’ shall be substituted for ‘principal residence during the 2-year period’ in subclause (I) thereof.”

Subsec. (e)(2)(B). Pub. L. 105-206, §6008(d)(3), inserted “on the date the taxpayer first occupies such residence” before the period at end.

Subsec. (e)(3). Pub. L. 105-206, §6008(d)(4), substituted “on the date such residence is purchased.” for “on the date of acquisition (within the meaning of section 72(t)(8)(D)(iii)).”

Subsec. (i). Pub. L. 105-206, §6008(d)(5), substituted “Application of section” for “Termination” in heading and amended text generally. Prior to amendment, text read as follows: “This section shall not apply to any property purchased after December 31, 2000.”

EFFECTIVE AND TERMINATION DATES OF 2010 AMENDMENT

Amendment by section 754(d) of Pub. L. 111-312 applicable to homes purchased after Dec. 31, 2009, see section 754(e)(4) of Pub. L. 111-312, set out as a note under section 1400 of this title.

Amendment by Pub. L. 111-148 terminated applicable to taxable years beginning after Dec. 31, 2011, and section is amended to read as if such amendment had never been enacted, see section 10909(c) of Pub. L. 111-148, set out as a note under section 1 of this title.

Amendment by Pub. L. 111-148 applicable to taxable years beginning after Dec. 31, 2009, see section 10909(d) of Pub. L. 111-148, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 2009 AMENDMENT

Amendment by Pub. L. 111-92 applicable to residences purchased after Nov. 30, 2009, see section 11(j)(2) of Pub. L. 111-92, set out as a note under section 36 of this title.

Amendment by section 1004(b)(6) of Pub. L. 111-5 applicable to taxable years beginning after Dec. 31, 2008, see section 1004(d) of Pub. L. 111-5, set out as an Effective and Termination Dates of 2009 Amendment note under section 24 of this title.

Amendment by section 1006(d)(1) of Pub. L. 111-5 applicable to residences purchased after Dec. 31, 2008, see section 1006(f) of Pub. L. 111-5, set out as a note under section 36 of this title.

Amendment by section 1142(b)(1)(F) of Pub. L. 111-5 applicable to vehicles acquired after Feb. 17, 2009, see section 1142(c) of Pub. L. 111-5, set out as an Effective and Termination Dates of 2009 Amendment note under section 24 of this title.

Amendment by section 1144(b)(1)(F) of Pub. L. 111-5 applicable to taxable years beginning after Dec. 31, 2008, see section 1144(c) of Pub. L. 111-5, set out as an Effective and Termination Dates of 2009 Amendment note under section 24 of this title.

EFFECTIVE DATE OF 2008 AMENDMENT

Amendment by section 205(d)(1)(E) of Pub. L. 110-343 applicable to taxable years beginning after Dec. 31, 2008, see section 205(e) of Pub. L. 110-343, set out as an Effective and Termination Dates of 2008 Amendment note under section 24 of this title.

Pub. L. 110-343, div. C, title III, §322(d)(2), Oct. 3, 2008, 122 Stat. 3874, provided that: “The amendment made by this subsection [amending this section] shall apply to property purchased after December 31, 2007.”

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109-432, div. A, title I, §110(d)(2), Dec. 20, 2006, 120 Stat. 2940, provided that: “The amendment made by

this subsection [amending this section] shall apply to property purchased after December 31, 2005.”

EFFECTIVE AND TERMINATION DATES OF 2005
AMENDMENTS

Amendment by section 402(i)(3)(F) of Pub. L. 109-135 subject to title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. 107-16, §901, in the same manner as the provisions of such Act to which such amendment relates, see section 402(i)(3)(H) of Pub. L. 109-135, set out as a note under section 23 of this title.

The Internal Revenue Code of 1986 to be applied and administered as if the amendments made by section 1135(b)(1)–(3) of Pub. L. 109-58 had never been enacted, see section 402(i)(4) of Pub. L. 109-135, set out as a note under section 23 of this title.

Amendments by Pub. L. 109-135 effective as if included in the provisions of the Energy Policy Act of 2005, Pub. L. 109-58, to which they relate, except that amendment by section 402(i)(3)(F) of Pub. L. 109-135 is applicable to taxable years beginning after Dec. 31, 2005, see section 402(m) of Pub. L. 109-135, set out as a note under section 23 of this title.

Amendment by Pub. L. 109-58 applicable to property placed in service after Dec. 31, 2005, in taxable years ending after such date, see section 1335(c) of Pub. L. 109-58, set out as a note under section 23 of this title.

EFFECTIVE DATE OF 2004 AMENDMENT

Amendment by Pub. L. 108-311 effective Jan. 1, 2004, see section 310(e)(1) of Pub. L. 108-311, set out as a note under section 1400 of this title.

EFFECTIVE AND TERMINATION DATES OF 2001
AMENDMENT

Amendment by Pub. L. 107-16 inapplicable to taxable years beginning during 2004 or 2005, see section 312(b)(2) of Pub. L. 108-311, set out as a note under section 23 of this title.

Amendment by Pub. L. 107-16 inapplicable to taxable years beginning during 2002 and 2003, see section 601(b)(2) of Pub. L. 107-147, set out as a note under section 23 of this title.

Amendment by section 201(b)(2)(H) of Pub. L. 107-16 applicable to taxable years beginning after Dec. 31, 2001, see section 201(e)(2) of Pub. L. 107-16, set out as a note under section 24 of this title.

Amendment by section 202(f)(2)(C) of Pub. L. 107-16 applicable to taxable years beginning after Dec. 31, 2001, see section 202(g)(1) of Pub. L. 107-16, set out as a note under section 23 of this title.

Amendment by section 618(b)(2)(E) of Pub. L. 107-16 applicable to taxable years beginning after Dec. 31, 2001, see section 618(d) of Pub. L. 107-16, set out as a note under section 24 of this title.

Amendment by sections 201(b)(2)(H) and 202(f)(2)(C) of Pub. L. 107-16 inapplicable to taxable, plan, or limitation years beginning after Dec. 31, 2012, and the Internal Revenue Code of 1986 to be applied and administered to such years as if such amendment had never been enacted, see section 901 of Pub. L. 107-16, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105-206 effective, except as otherwise provided, as if included in the provisions of the Taxpayer Relief Act of 1997, Pub. L. 105-34, to which such amendment relates, see section 6024 of Pub. L. 105-206, set out as a note under section 1 of this title.

Subchapter X—Renewal Communities

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| Part | |
| I. | Designation. |
| II. | Renewal community capital gain; renewal community business. |
| III. | Additional incentives. |

PART I—DESIGNATION

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| Sec. | |
| 1400E. | Designation of renewal communities. |

§ 1400E. Designation of renewal communities

(a) Designation

(1) Definitions

For purposes of this title, the term “renewal community” means any area—

(A) which is nominated by 1 or more local governments and the State or States in which it is located for designation as a renewal community (hereafter in this section referred to as a “nominated area”), and

(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with—

(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury;¹ the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration, and

(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

(2) Number of designations

(A) In general

Not more than 40 nominated areas may be designated as renewal communities.

(B) Minimum designation in rural areas

Of the areas designated under paragraph (1), at least 12 must be areas—

(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,

(ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

(iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

(3) Areas designated based on degree of poverty, etc.

(A) In general

Except as otherwise provided in this section, the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

(B) Exception where inadequate course of action, etc.

An area shall not be designated under subparagraph (A) if the Secretary of Housing and Urban Development determines that the course of action described in subsection (d)(2) with respect to such area is inadequate.

(C) Preference for enterprise communities and empowerment zones

With respect to the first 20 designations made under this section, a preference shall

¹ So in original. The semicolon probably should be a comma.